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Approved by:

Deanna M. J. Ayala

U.S. Embassy, London

Prepared by:

Jennifer Jones/Philip Bicknell

Report Highlights:

Welcome to the new and improved London Calling. This market brief is a synopsis of UK food and beverage trade media reports. A monthly review - it aims to inform U.S. exporters of the current factors influencing the UK market. Subscribe or unsubscribe by sending an e-mail to AgLondon@fas.usda.gov

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
London [UK1], UK

News Stories:

- * UK Retail Scene Set For Change
- * UK Grocery Sales Growth Halves
- * Survey Shows Drop in Consumer Concern
- * Making the Break from Niche
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UK Retail Scene Set For Change

There are now five proposed bids to buy Safeway, the fourth largest UK supermarket group. Four of the five will be referred to the British Competition Commission, they are the bids from rival supermarket chains Morrisons, ASDA/Wal-Mart, Sainsbury's and Tesco. The fifth prospective offer, from entrepreneur Philip Green, will not face the Commission's scrutiny. Mr Green owns chain store British Home Stores (BHS) and several other High Street fashion chains but has no food stores.

Industry observers expect either ASDA/Walmart or Philip Green to win the bid, however, trade sources report that suppliers favor a Morrisons takeover.

MEANWHILE . . . the board of Somerfield (the UK's sixth largest supermarket chain) has rejected a takeover proposal which valued the supermarket group at \$820 million.

A statement issued by Somerfield said that the conditional approach headed by two British retail entrepreneurs "substantially undervalued" the group.

Investors, who have seen Somerfield shares surge from 74 British pence to 92.75 pence since the bid interest became known, will now be awaiting the response of the consortium to this rejection. Other prospective bidders may also come to the fore in the coming weeks.

AND STOP PRESS . . . Selfridges Department Store is considering two takeover bids (Source: BBC News)

UK Grocery Sales Growth Halves

Grocery sales in the first quarter of 2003 have been affected by falling consumer confidence and spending. Sales for the year to March grew by 3.5 percent compared to 7.3 percent in the quarter to March 2002. Leading performers have been chilled foods, alcoholic beverages and soft drinks. At the other end of the scale, low growth rates characterize fresh produce, frozen foods and confectionery. (Source: just-food.com)

Survey Shows Drop in Consumer Concern

According to a survey published by the UK's Food Standards Agency (FSA), there has been a small, but significant, decrease in British consumer concern about food safety and an overall decline in the number of people with concerns about specific food issues. Most significant has been a 16% fall in concern about BSE, and a 7% fall in concern about GM foods. (Source: FSA)

Making the Break from Niche

Product ranges catering for those with food allergies and intolerances are increasingly visible on supermarket shelves. With an increasing proportion of the population choosing to cut out certain foods, Sainsbury, Tesco and Asda are among the retail chains offering own-brand 'free from' ranges to UK consumers. Gluten, nut and dairy are the three major ingredients that are avoided. (Source: just-food.com)

There are mixed messages about the fate of the UK organic food sector: Key Note predicts that the UK organic market will continue growing at a vigorous rate between 2002-2007, although they admit that sales value growth may be tempered by a fall in the price premium paid for organic foods, and a maturation of the market. Indeed, a survey by the UK Food Standards Agency shows that fewer people are eating organic food. The survey found that 5% of British consumers surveyed had given up organic over the last year, with 28% reporting that they never eat organic at all.

The UK vegetarian food market has seen some adverse effects due to the strong growth of the organic sector. Key Note suggests that some vegetarians and meat-reducers have turned to non-vegetarian organic food as a way of addressing their concerns about the safety and healthiness of factory-farmed meat. However, the vegetarian market has attempted to counter this with a raft of organic vegetarian product launches which helped recover the market in 2002. (Source: Natural Products Magazine)

UK's Sweet Tooth

The UK has the largest sugar confectionery market in Europe, worth \$2.2 billion in 2002. This accounts for 23% of a total European market value of \$9.5 billion in 2002. Germany comes second, accounting for 14% of the market. Gums and jellies form the largest sector, representing 28% of the market in value terms. The rise of "pick and mix" shops in leisure complexes such as cinemas, bowley alleys and shopping malls have contributed to this. (Source: just-food.com)

UK Retailers Make Pledge to MSC

The addition of the Marine Stewardship Council (MSC) logo to fresh Alaskan salmon is thought to have contributed to a 73% increase in sales through the UK Sainsbury Supermarket chain. Sainsbury, Marks and Spencer, Unilever and the Co-operative Bank are among the corporate funders of the MSC. Sainsbury's was the first supermarket to back the eco-label in 1998. Indeed, Sainsbury is the first UK supermarket chain to make a commitment to source all its wild fish from sustainable fisheries, and has set a target date of 2010 for this objective. MSC lines are

still limited in volume, however, Sainsbury, M&S, Tesco and Iceland all have MSC private labels. (Source: The Grocer Magazine)

Blossom Hill in UK sponsorship deal

Wine brand Blossom Hill has been signed up by UK's Channel 4 to sponsor the US comedy show Will & Grace in a deal worth \$1.3m. The deal is set to run over 24 weeks and follows a similar strategy employed by rival Jacob's Creek which has sponsored 'Friends' in the past. An increasing number of UK TV programs have brokered sponsorship details with leading food and drink companies as marketers aim to reach highly targeted demographics. (Source: Mintel)

Washington Apple Commission No More

Following its legal defeat over the constitutionality of collecting mandatory grower contributions, the Washington Apple Commission is shutting down. The WAC helped introduce and establish red apple varieties in UK markets. More recently, the WAC, through its UK office, pioneered organics, with huge volumes of organic apples shipped to the UK from Washington state. At present, it remains unclear whether the Commission's activities could be restarted under other auspices, such as through a voluntary assessment program. (Source: The Packer)

UK Sugar Supply Investigation

The UK Biscuit, Cake, Chocolate & Confectionery Alliance (BCCCA) has asked the UK Office of Fair Trading to investigate the UK sugar supply. The BCCCA is quoted as saying "We are of the view that there could be a breach of the competitive state of the market for the supply of sugar to food manufacturers in the UK." It would seem that UK prices for sugar are the highest in Europe. With the EU sugar regime currently undergoing review, the BCCCA said it hoped for a radical reform of the regime to bring EU internal prices in line with world prices. However, it is unlikely that any changes will take place before 2006, when the present EU sugar regime is due to expire. (Source: The Grocer)